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Concepts: takeovers/acquisitions

1. What is Acquisition?

Acquisition essentially means 'to acquire' or 'to takeover. Here a bigger company will take over the shares and assets of the smaller company.

2. Different Types of acquisitions

Friendly acquisition: Both the companies approve of the acquisition under friendly terms.

Reverse acquisition: A private company takes over a public company.

Back flip acquisition: A very rare case of acquisition in which, the purchasing company becomes a subsidiary of the purchased company.

Hostile acquisition: Here, as the name suggests, the entire process is done by force.

3. Reason for Acquisition

- **Industry Consolidation:** tactical move that enables a company to reposition itself (with a merger partner) into a stronger operational and competitive industry position.
- **Improve Competitive Position:** reduces competition, and allows the combined firm to use its resources more effectively.
- **Defensive Move:** attractive tactical move in any economic environment - particularly in a cyclical down-turn where a merger can be a strong defensive move.
- **Synergies:** allowing two companies to work more efficiently together than either would separately.
- **Market / Business / Product Line Issues**: whether the market is a new product, a business line, or a geographical region, market entry or expansion is a powerful reason for a merger.
- **Acquire Resources and Skills:** to obtain access to the resources of another company or to combine the resources of the two companies. [1]

[1] Mergers and acquisitions, Available at:https://iica.nic.in.